



Commonwealth of Massachusetts
**DEPARTMENT OF HOUSING &
COMMUNITY DEVELOPMENT**

Deval L. Patrick, Governor ♦ Timothy P. Murray, Lt. Governor ♦ Tina Brooks,
Undersecretary

Public Housing Notice: 2008-13

13 November 2008

Dear LHA Director:

After months of discussion with many of you, your colleagues and staff within DHCD, we are ready to launch the long-awaited transition from the old way of allocating capital funding (the CAR system) to a new, fairer, more predictable and transparent system (CPS-based funding). As you well know, the Patrick/Murray Administration has made a strong commitment to the preservation and maintenance of the state's public housing. We believe the change to a CPS-based funding system will align the energy and creativity of local housing authorities with the great momentum of this administration by providing housing authorities with a predictable stream of funds that you can use in a flexible manner. As such, this letter has two purposes:

- 1) Outline the new CPS funding system and clearly articulate how it will work.
- 2) Set out a timeline and explain the key details of the transition from CARs to the CPS funding system.

We are making this change because the CAR system was at core a competitive one, where the projects selected would be addressed comprehensively but the projects that didn't got nothing. CPS-based **formula funding** will break the cycle of winners and losers by making a commitment to entitlement funding, data-driven investments, transparency and local expertise. We think this is the best way we can preserve the entirety of the portfolio. With this change, we hope to accomplish the following:

- Assure that **every LHA** has access to funds for capital improvements, not just those who succeed in a competitive funding round;
- Assure that funding is based on an **objective and uniform assessment** of the condition of each building;
- Assure that capital funds are **fairly** distributed, not based on individual interpretations of appropriate project scope;
- Assure that the sequence of projects is based on an overall **Capital Improvement Plan** that takes into account all of the resources and all of the needs of the LHA.

We would like to begin formula funding right away, since the recent bond bill gives us a generous first installment of resources to devote to portfolio restoration. And in fact, there will be no new CAR awards—all new funding allocations will be through the CPS-based programs. But many of you have old CAR or emergency projects underway and we want to honor these expectations to the extent feasible. However, without any adjustments, these “pipeline” projects would use up virtually all of our allocated \$90M bond spending cap for the next five years. That's too long to wait to begin formula funding! So, we will restructure the existing CAR pipeline, shifting some projects into CPS-based funding and controlling costs on others. In this way, we can begin formula funding

allocations as early as Fiscal Year 2010 and complete the conversion within five years. The attached “5 year Transition Guidelines” describes exactly how DHCD will re-structure the CAR pipeline.

During this transition period, the amount of formula funding will necessarily be minimal. As soon as we clear the pipeline, the bulk of the new annual bond spending cap will go into formula funding allocations to make the amounts sufficient to do more than simply address emergencies. Our ultimate goal is to have all of the portfolio in good condition ($FCI \leq 7.5$) and be able to annually allocate to each LHA a minimum of 1% of the replacement value of its portfolio as formula funding. Because for the foreseeable future, formula funding will never be sufficient to address severely distressed properties or support major modernization projects, the formula funding allocations described above will be supplemented through a limited number of targeted programs to allow a few LHAs to address such needs each year.

During the next two years DHCD will be working hard to be sure the infrastructure is in place to support this transition—and we’re counting on you to help with the completion of the CPS and its subsequent successful use. DHCD staff will be working hard to clear the old pipeline and to be ready to help you with your capital planning as needed. DHCD’s long range goal is to improve and stabilize the condition of every development in the portfolio so that capital projects are predictable, life-cycle investments rather than emergency funding to address component or systems failure.

We are hoping that you have been expecting this transition, as we have been making great efforts to reach out to all of you over the past six months. We were very encouraged by the positive feedback our transition plan received at your regional directors, NAHRO housing committee and individual LHA meetings, especially in light of the trade-off we are asking many of you to accept by re-structuring the old-CAR pipeline to expedite the initiation of formula funding. We also appreciated the many thoughtful comments and suggestions which will help to ensure that the change from CARS to CPS-based funding will provide strong and lasting benefits for each LHA.

We know this letter is rather general and provides only an overview of the new system. The attachments attempt to provide more detail and answer what we anticipate are your questions. We plan to formally announce the shift from CARs to CPS-based funding at Mass NAHRO’s fall conference in Lowell and we hope to see you there. If you have questions or suggestions in advance or won’t be able to attend, we encourage you to call any of us, your project manager or any other staff at DHCD to continue our important dialogue about the Capital Planning System and its impacts on current and future capital projects.

The entire DHCD team is committed to making the significant but critically important transition to CPS-based funding as smooth as possible and we all look forward to continuing our important work together.

Sincerely,

Amy Schectman

Associate Director – Division of Public Housing & Rental Assistance

Ray Frieden

Director – Bureau of Housing Development & Construction

Lizbeth Heyer

Director for Program Development – Bureau of Housing Development & Construction